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*Helping People
Help the Land*

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Transmitted via Email

February 2, 2006

MINNESOTA BULLETIN NO. 250-6-6

SUBJECT: FNM – 1099 REPORTING FOR CALENDAR YEAR 2005

Purpose. To inform employees about issuing 1099 for conservation program payments.

Expiration Date. September 30, 2006

ATTN: This guidance needs to go immediately to all field and State office employees who deal with programs and program participants.

Since NRCS has assumed the responsibility for issuing the Environmental Quality Incentives Program (EQIP) payments, and the increase in number of payments for the Conservation Security Program (CSP), NRCS has doubled the number of 1099's issued by National Finance Center (NFC) since the prior year.

NFC is receiving many calls, so it is important for NRCS to provide the correct guidance to our customers. DO NOT have them contact NFC or other NRCS staff, since the response is the same.

Calendar Year 2005 IRS reporting includes payments up to a Treasury-confirmed date of December 28, 2005. All 1099's have been mailed by NFC for 2005.

IRS-1099 FOR ALL PROGRAM PAYMENTS

IRS-1099's are prepared for all payments issued to our program participants. It is the program participant's responsibility to work with their tax advisors to determine how to report the payments. (It appears that many CSP program participants are thinking they would receive an IRS-1099 for only the portion of their payment that is subject to taxes--NRCS/NFC issues the IRS-1099 for all payments).

There is an exception to issuing all program participants an IRS-1099 for our easement purchase payments. Payments for recorded under BOC's 3311 and 3217 are not issued by NFC. These payments require an IRS-1099-S, which either NRCS or the closing agent prepare.

ASSIGNMENTS OF PAYMENTS

In many cases, the assignee is receiving a copy of the IRS-1099. A modification to the MINC (NFC IRS Reporting System) software was not installed due to the interruption of Hurricane Katrina. This modification provided the capability to select the Vendor Code Address line with the

flag setting 1099 Reporting Address. Without this modification, the IRS-1099 is being sent to the last payee address for each vendor code.

For the assignees who received the IRS-1099, please instruct them to forward the IRS-1099 to the program participant. Then provide the SSN/TIN numbers that should be sent to the program participant's address instead of the assignee's address to your Area Accounting Technician. They will forward the information via e-mail or fax to NFC. From this list, NFC will initiate the corrected IRS-1099 for the address. NFC's e-mail address is: 1099HelpDesk@USDA.gov; fax number: 504-426-9747.

For the states entering their own Vendor Records, please ensure that the PVEND request for the assignee record includes a note as follows: "Vendor 1099 Address: No".

If you have questions or need additional information for the IRS-1099, please contact Bryan Welp, Budget Officer.

/s/

WILLIAM HUNT
State Conservationist

cc: ASTC (FO)
FO